

IN THE UNITED STATES COURT OF APPEALS

FOR THE NINTH CIRCUIT

* * * * *

TEMPLETON PATENTS, LTD.,)

Plaintiff-Appellant,)

v.)

J. R. SIMPLOT COMPANY,)

Defendant-Appellee.)

vol 3288

No. 18900 ✓

See Vol. 3287

APPELLEE'S REPLY BRIEF IN NO. 18900

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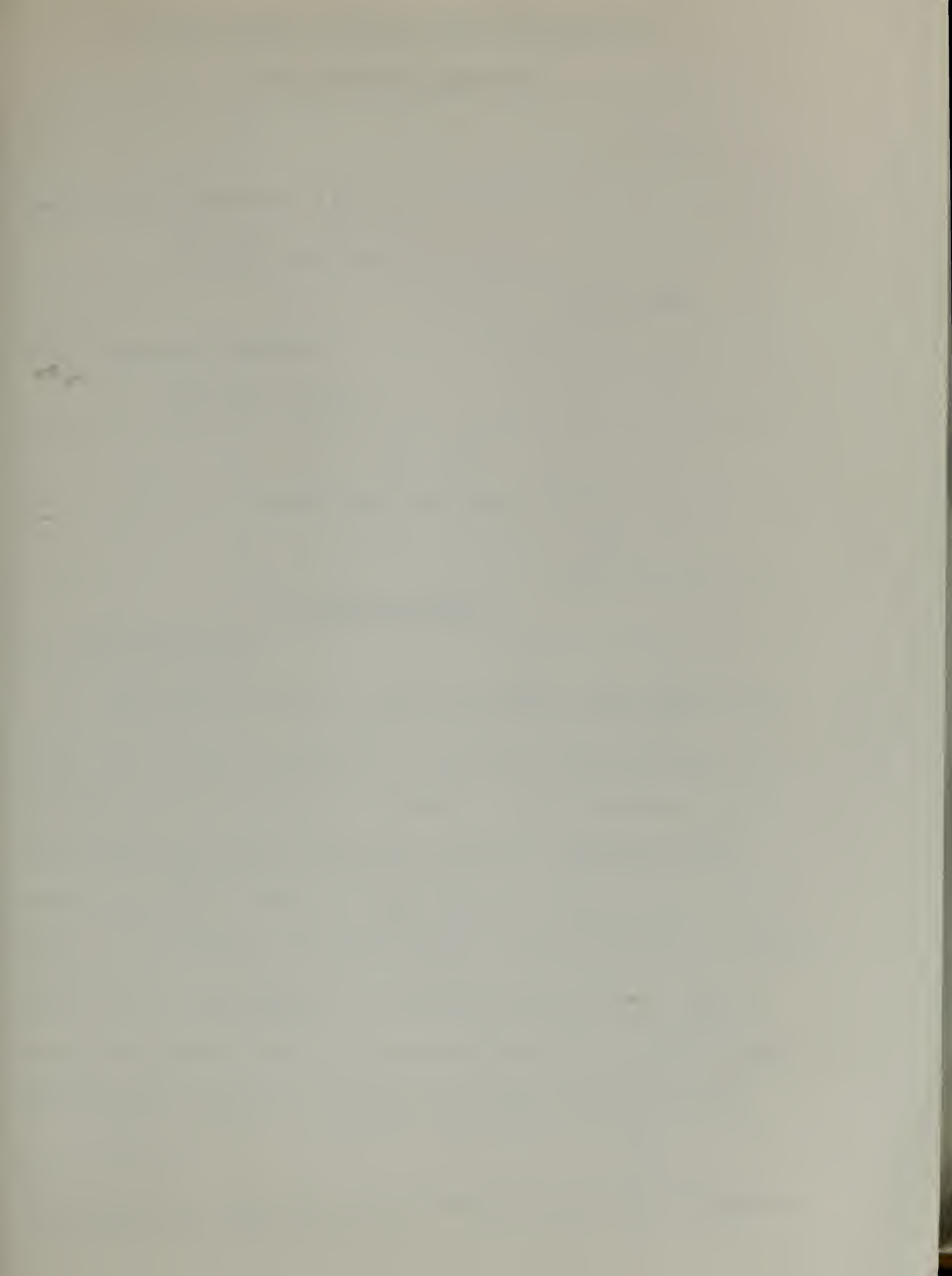
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No. 18900

* * * * *

BRIEF FOR APPELLEE

* * * * *

I. INTRODUCTION

A. THE PLEADINGS.

This action, Civil No. 3574 in the District Court and here No. 18900, was filed by the plaintiff* in the language of the complaint, "for equitable relief by way of an accounting to recover the proceeds of an unjust enrichment and for breach of contract". Defendant filed its answer September 9, 1960, raising a number of affirmative defenses (R 11 - Answer) (R 30 - Pre-Trial Order), including laches, limitations, statute of fraud, and failure to join indispensable parties. Upon the issues thus framed, trial was commenced before Hon. Fred M. Taylor, District Judge, January 8, 1962, and concluded January 30, 1962.

*For convenience, appellant will be designated as plaintiff and appellee as defendant throughout this brief.

Findings of Fact and Conclusions of Law (R 42) and Final Judgment (R 52) were signed and entered by the court May 24, 1963, dismissing the complaint of the plaintiff, with prejudice, and with costs to this defendant.

Approximately one year prior to the filing of the complaint in this case, plaintiff filed an action for patent infringement against the defendant February 24, 1959, Civil No. 3514 in the District Court and here No. 18899, the District Court likewise by its final judgment therein dismissed the action for infringement filed by the plaintiff. The cases upon stipulation and order were consolidated for trial.

B. JURISDICTION.

Defendant concedes that the District Court had jurisdiction by virtue of diversity and amount in controversy under 28 U. S. C. A. § 1332(a)(2), and that final judgment having been rendered herein this court has jurisdiction over the appeal by virtue of 28 U. S. C. A. §§ 1291 and 1292(a)(4).

II. STATEMENT OF THE CASE

Counsel frankly admit being taken by surprise in these appeals -- for the first time in the history of the litigation, plaintiff's main thrust is not directed to the infringement suit, which consumed nine-tenths of the total trial time and most of its briefing before and after trial, but instead is pointed to the alleged breach of contract action. Perhaps this new emphasis, coming at such a late date and so unexpectedly, is an admission that its infringement action is groundless.

Certainly it seems a confession of weakness.

Plaintiff for its Statement of the Case sets forth in full the Memorandum Opinion of Judge Taylor -- there being in its view "no better existing statement of the essential facts". It then, however, intersperses its lengthy argument (66 pages) with additional evidence from the case, which it argues as supporting facts.

Plaintiff should be aware that Judge Taylor's Opinion must give way, in case of doubt, to his Findings of Fact.

Plaintiff minimizes these Findings as being adopted two and a half months after the Opinion "from a draft by defendant". Surely counsel knows that any drafts were submitted at the specific request of the trial judge and are not a part of the record on appeal. This calculated departure from the record of the case, as will develop later, is not the last example we will find in plaintiff's brief.

Under the circumstances, we therefore will rely in the main for our statement of the case upon the explicit Findings of Fact of Judge Taylor, which constitute his considered and final determination of the essential facts in this suit. His Findings of Fact, I through XII, inclusive, are set forth as an Appendix to this brief.

The rule is clear that where there is any conflict between the Opinion and the Findings of Fact or any qualification of the Opinion by the Findings, the latter will control. This court has so ruled on at least two occasions:

310 (1955), at page 311:

"* * * We do not agree with this assertion. Assuming that such a construction could be placed upon statements referred to, the trial court's memorandum of opinion may not be used to supplement the findings in this manner. Rule 52 of the Federal Rules of Civil Procedure, 28 U.S.C.A., provides: 'If an opinion or memorandum of decision is filed, it will be sufficient if the findings of fact and conclusions of law appear therein.' Under the circumstances referred to in the rule, it is not necessary to file formal findings of fact and conclusions of law, but when the trial court does make formal findings, they alone serve as the court's findings of fact. In the words of the Supreme Court: 'We are not at liberty to refer to the opinion for the purposes of eking out, controlling, or modifying the scope of the findings'. " (Emphasis ours.)

Platino v. Mills, 9 Cir., 236 F.2d 32 (1956), where this court stated, at page 35:

"* * * The finding is in conflict with the trial court's opinion. This, it must not have intended. But in a direct conflict between the formal findings and the findings of an opinion, the formal findings must govern."

See also: Osaka Shosen Kaisha, Ltd. v. Angelos, Leitch & Co., Ltd., 4 Cir., 301 F.2d 59 (1962).

III. ARGUMENT

A. THIS COURT SHOULD ACCEPT THE FINDINGS OF THE TRIAL COURT UNLESS "CLEARLY ERRONEOUS".

While the trial court found because of the substantial conflict in the testimony concerning the dealings between the parties and the extended lapse of time until trial the writings between them constituted "the most credible evidence", nowhere does he say, as contended by plaintiff, that

he did not also give consideration to the testimony and the demeanor of the numerous witnesses.

Plaintiff relies on Lundgren v. Freeman, 9 Cir., 307 F.2d 104 (1962), in urging this court to completely disregard Judge Taylor's Findings and to substitute in lieu thereof its view and interpretation of the facts. The court in Lundgren reviewed the decision of the United States Supreme Court which set forth the "Frank" view, allowing appellate courts to substitute its judgment on documentary evidence, as opposed to the "Clark" view, which applied the "clearly erroneous" rule to findings likewise predicated on documents or writings. In addition to the statement set forth by plaintiff from this case, we find at page 114:

"Nothing in the history of review of equity cases or of law cases tried without a jury suggests that the appellate court ever decides issues of fact in the first instance, even where it considers itself as fully qualified as the trial judge to do so. Rule 52(a) should be construed to encourage appeals that are based on a conviction that the trial court's decision has been unjust; it should not be construed to encourage appeals that are based on the hope that the appellate court will second-guess the trial court. * * * Rule 52(a) explicitly clearly applies where the trial court has not had an opportunity to judge of the credibility of witnesses.

"Further, one of the purposes of findings of fact is to give the appellate court a clear understanding of the basis of the trial court's decision. * * * There would be no real purpose for such a finding in the principal case, if the appellate court could hold a trial de novo."

Further, this court will not retry the lawsuit or the issues of fact.

Irish v. United States, 9 Cir., 225 F.2d 3 (1955). The findings are presumptively correct, the burden of showing compelling reasons to overturn them being on the appellant. Watson v. Button, 9 Cir.,

235 F. 2d 235 (1956). As stated in Horton v. U. S. Steel Corp., 5 Cir., 286 F. 2d 710 (1961) at page 713:

"On this the District Court heard much testimony and made precise fact findings which come here well armed with the buckler and shield of F. R. Civ. P. 52(a), 28 U. S. C. A. * * *."

B. THE MARCH, 1949, MEETING AND TEMPLETON'S SUBSEQUENT CORRESPONDENCE.

1. A discussion of the March, 1949, meeting in Boise is important because it was at that time and place the "enforceable business understanding" contended for by plaintiff was conceived. However, we prefer to put plaintiff's interpretation of and conclusions about this meeting up against the record.

Simplot had on several occasions before met Templeton. Templeton was in the United States to exploit his patent position and to convince Simplot he should be licensed -- he, not Simplot, was the aggressor. Templeton then, and subsequently, held to the offer of an exclusive license. Templeton was extending no exclusive favors to Simplot out of friendship, but was dealing with all comers at the same time: A Maine operation, as early as 1948 (PX 8, III-34, 35); the U. S. Department of Agriculture in 1949 (T 736, 737); Basic Vegetable, Inc. in California in 1949 (PX 8, III-72).

Present at the March, 1949, meeting were the two principals, Templeton and Simplot, and also Robert Troxell, at that time the Executive Vice-President and General Manager of defendant, formerly its General Counsel. At the time of trial Troxell had no connection with

defendant and was engaged in the practice of law. Templeton was aware that Mr. Troxell was also defendant's attorney (T 892).

Simplot was interested in Templeton's proposition if the patents were what he claimed, but before any agreement would be made the proposal would be referred to his attorneys (T 1385, 1386). The discussion of terms was general, only, and not definite (T 1386).

In substance, Troxell testified: That Templeton came to Boise in 1949, representing plaintiff's predecessor in interest, as the owner of two issued patents and one patent applied for, under which he would give defendant an exclusive U. S. license (T 1309, 1310) (T 901, 905, 922, 923); Templeton said though Bunimovitch owned 75% of the Faitelowitz patent, he nevertheless could grant an exclusive license (T 1311); Templeton made no disclosure of the title infirmities to the Faitelowitz patent to either Simplot or Troxell, the same coming to Troxell's attention only after receiving Beale's opinion; Troxell advised Templeton after the latter made his licensing proposal that prior to "contract discussion, or any negotiations" the matter had to be referred to defendant's patent counsel for patent search as to validity, scope and title; that all discussion at the meeting was conditioned upon "real, detailed contract negotiation" and "detailed discussion of terms" and only after advice of patent counsel (T 1311); Templeton at the conclusion stated if he had time in San Francisco he would prepare a memorandum of the items which he felt should be in an agreement; Templeton felt such memorandum would be beneficial for "future consideration of the matter"

(T 1314).

In this connection, plaintiff makes the absurd comment that had Simplot not intended to make a final, binding contract in March, 1949, he would have at an earlier meeting in 1949 with Templeton in Washington D. C. , mentioned to Templeton the qualification of advice from his attorneys. There is nothing in the record that prior to the meeting in Boise Templeton and Simplot had other than general discussions showing mutual interest in a licensing arrangement.

It is most difficult to consider seriously plaintiff's argument that a prospective licensee, based only on representations of the licensor as to validity, scope and title of his patents, would undertake a vast, costly contract and program and not have his personal counsel, as well as his patent counsel, at his elbow at every step of the way.

As it subsequently developed, this is the exact procedure defendant followed; and in view of Templeton's inability to perform as he had represented in March of 1949, defendant's reliance on its counsel is all the more reasonable, and certainly justified.

2. Plaintiff criticizes Simplot for his paucity of writings and implies some dark purpose in this connection. Would it be proper to suggest to plaintiff that the telephone has been introduced for some time and by now is a recognized medium for the conduct of business? In any event, Templeton by his blizzard of correspondence has conclusively established that the parties to this suit neither at the March, 1949, meeting or at any time subsequent thereto, ever reached that meeting

of minds, so essential to a binding, enforceable contractual arrangement.

To winnow a few statements from Templeton's verbiage, demonstrating

his awareness that any agreement was conditional and the parties were

in the negotiation stage only, we refer to the following:

(a) Letter to Simplot, March 8, 1949: "Contents of these documents represent my advice and embody my experience. It is all open to discussion and amendment to suit special local conditions which are not within my experience but are within yours." (PX 8, III-42)

(b) Letter to Simplot, March 31, 1949: "I was sorry to have to return without hearing further from you, but no doubt your Legal Counsellor will be writing to mine, from whom he will have heard in the last few days.

"After our telephone conversation I told Dean Edmonds to proceed with your Legal Advisor upon the basis that you and I had agreed in principle, and I asked him to submit a draft incorporating the points in my draft, subject to any legal aspects he wished to raise, and similarly to offer your Adviser the same courtesy - that is to say to provide a document as a draft and not as the finished article." (PX 8, III-72)

(c) Letter to Troxell, April 11, 1949: "The questions you raise are all of the kind which Mr. Simplot and I agreed to leave to be thrashed out between our respective legal representatives and are no doubt very proper ones to be raised from your side.

* * *

"I think the observation of Beale and Jones in regard to the form of Agreement is surely somewhat premature until you have heard the comments of Mr. Dean Edmonds. I would agree, of course, that it is inherent in the understanding between Mr. Simplot and myself that if the legal enquiries showed it to be necessary in his interests or ours the form of Agreement should be modified, then that would be done." (PX 8, III-80)

(d) Letter to Simplot, April 13, 1949: "I have received with some disappointment the information contained in Mr. Troxell's letter to Mr. Dean Edmonds, based on advice you have received from Beal and Jones, Patent Attorneys.

"I do not know how much information Mr. Troxell gave to Beale and Jones before seeking their advice, which however reads to me as if it were given by Beale and Jones under the disadvantage of their failing to apprehend what is the invention. * * * .

"I may add that in conversation with Mr. Troxell, I think I did suggest, in response to his comment, that he would want Patent Agent's advice, that he should put your Patent Attorney directly in touch with ours. I think if this had been done the present position - which as far as I can see is based on misunderstanding - would not have arisen. * * * .

"* * * The understanding between you and me was agreed as being subject to the proviso that our legal advisers should be satisfied, and I am not raising any objection to the process necessary for their satisfaction * * * ." (PX 8, III-83, 84)

(e) Letter to Jones, Vice-President, Defendant, May 4, 1949: "I have written various letters to Mr. Jack Simplot at Boise. I appreciate he is very busy and may be, as legal matters are involved anyway, he is to take advice and listen to the lawyers." (PX 8, III-91)

(f) Letter to Jones, May 12, 1949: "I shall be glad of your advice. When I saw Mr. Simplot in Idaho in March we reached an agreement subject to vetting and tidying up of the Lawyers. Your Lawyer has now raised certain points in answer to which I have suggested the simple course of his getting in touch with our Lawyer, because we think he is on the wrong track, and the quickest and easiest way back is by means of a straight forward discussion. I have no answer and do not know what is happening." (PX 8, III-94)

(g) Letter to Jones, May 30, 1949: "I do not have any doubt that Mr. Edmonds will be able to satisfy Beale and Jones that the legal position is as I have represented it to be to Mr. Simplot and others in your organisation * * * ." (PX 8, III-101)

(h) Letter to Edmonds, copy to Troxell, June 24, 1949: "It is evident from your letter of the 10th June that Mr. Beale does not take very kindly to the Simplot/Templeton idea of a commercial agreement and his criticisms appear to go well outside the validity and/or strength of the patents.

"Insofar that I am implicated with Mr. Simplot under Mr. Beale's view, I can say it is not the first time in my life that after making a commercial agreement I have been criticized by an Attorney * * *." (PX 8, III-113)

(i) Letter to Beale, August 10, 1949: "Meanwhile perhaps I should say this. I understand concerning the agreement reached between Mr. Simplot and myself in March last - subject to the advice of our respective attorneys - that your advice to Mr. Simplot stands against his proceeding with the agreement for various reasons which you have argued at length. * * *."

"I believe Mr. Simplot wishes to proceed with the agreement we both made in good faith as I do also but statements as serious as those you have apparently made require that both he and I must pause to examine them." (PX 8, III-123)

(j) Letter to Simplot, October 12, 1949: "As I left Boise I understood we had reached agreement to which I have been loyal ever since. Certainly it was subject to your Attorney at Boise taking the advice on your behalf of Patent Attorneys and, as I thought, discussing the matter with my Patent Attorneys, but I assumed and I thought you assumed that unless some good reason could be shown to the contrary you and I had made a contract.

"* * * your Patent Agents instead of, as I thought, co-operating with mine to complete an agreement in the best interests of your Company and my Company had joined quite extensive endeavours to the entirely different object of putting forward a number of contentious arguments indicating why you should not proceed with the agreement. * * *."

"The time perhaps has now come for me to put to you the direct question. I have considered myself bound to this agreement and still do, but if you wish to call it off it is not right for you to keep me bound and I must be similarly free and I am entitled to the consideration of a definite answer from you. I wish to make it quite clear there is no attempt on my side to hold you to a bargain if you do not want to go on, but just say so. * * *." (PX 8, III-134-136)

(k) Letter to Simplot, February 23, 1950: "I explained to you on this last trip that I felt we ought

either to proceed with such an agreement or abandon it. * * *

"I think you ought now to make up your mind either - * * *.

"(b) to say that you do not wish to proceed, in which event I think the best thing to do is for the both of us to agree to terminate our endeavour based upon setting up the relationship between us which I have described herebefore and in that case, as I said in New York, I think you ought to make some contribution towards the expenses I have been put to, much of them, as in the case of visits to Washington, at your direct request.

"Whilst I should regret this ending to a negotiation which has been over-long already I may add, in order to show you that I keep an open and I hope a fair mind in the matter, that I should be willing, if it would help you, to offer you a non-exclusive license * * *." (PX 8, III-171-174)

(l) Letter to Simplot, April 17, 1950: "I wish to lose no further time in the U.S.A. market and if you do not wish to go on upon our original understanding, I must open with one or 2 others whose interest in the past 18 months I have declined.

"As stated in my last letter I am quite prepared, if this is the position I have to face, to offer you a limited, non-exclusive licence for the patents which I represent for part or possibly the whole of the state of Idaho." (PX 8, III-175)

(m) Letter to Simplot, July 24, 1950: "I advise you of these matters in order that on my side no omission in obligation or courtesy shall occur into our long period of negotiation recently terminated, as a result of your wish and my objection to change our original understanding in a very material particular." (PX 8, III-176, 177)

(n) Letter to Simplot, August 30, 1950: "* * * I realise that in the course of recent rather protracted negotiation you were an exceedingly busy man with very many matters to consider.

"* * * As I understood the matter this was to be a deal subject to your legal adviser checking on the Patents. * * *.

"After some considerable delay we received from

Mr. Troxell a letter indicating that a firm of Patent Attorneys at Washington had written a letter in terms which we found is difficult to understand but which appeared to criticise the Patents as being not basic patents, whatever that might mean. * * *

"In the intervening months I wrote you on more than one occasion and received no reply; on my last visit to U. S. A. during June and July I reluctantly came to the decision communicated to you in a recent letter and thereafter appointed Mr. William Scott as our Company's representative in relation to these processes." (PX 8, III-182-184)

(o) Letter to Simplot, June 13, 1956: "You will remember your Attorney, Ed. Beale, to whom at one stage you referred me, thought this Patent was the fundamental one and that our Volpertas and Rivoche Patents were not so strong.

"I did not agree with Beale, but to-day we have both Faitelowitz and Rivoche. * * *

"It remains true that I did visit Boise and work with your colleagues, demonstrating the processes, and this was doubtless of some assistance." (PX 8, III-222)

C. THE UNSUCCESSFUL ATTEMPTS TO "MEMORIALIZE" THE TENTATIVE, INDEFINITE AND INFORMAL UNDERSTANDING.

1. Templeton's Heads of Agreement (PX 8, III-43-46) was the first of proposed forms of agreement exchanged. Although not signed by plaintiff, it requested execution by defendant. This, of course, was not done, the "Heads" obviously only representing Templeton's basic proposal to defendant. The "Heads" recited plaintiff as the exclusive licensee, assignee and owner of the three patents. Subject to minimum payments and tonnages, the license allegedly was exclusive to defendant, absent its written consent otherwise. For some reason, Templeton expected the "Heads" to be signed, binding the parties, although he knew

plaintiff would insist on proper legal advice and recommendation. (PX 8, III-80, 84)

2. The Edmonds draft was sent Troxell March 28, 1949, and allegedly was based on the "Heads" and additional information from Templeton. A deviation from the "Heads" permitted plaintiff to license R. T. French Co., without limitation. It referred to plaintiff as the owner of only "licensing rights" to Faitelowitz. It expanded the three and one-half pages of the "Heads" to eleven pages. Troxell had received Beale's opinion prior to receipt of the Edmonds draft.

Troxell wrote Edmonds April 6, 1949, (PX 8, III-78), rejecting the agreement, and specifying Beale's objections to the patents, which included invalidity, limited scope, and in the case of Faitelowitz a complete failure of title. The status of Faitelowitz at no time had been revealed by Templeton, and even his counsel was ignorant of the vesting in the Alien Property Custodian.

3. In December, 1949, Templeton met with Simplot in New York; and, as a result, Troxell prepared a license agreement which was fully executed by defendant and sent to Edmonds (PX 8, III-148). Edmonds refused to even consider the agreement since it put forward the first of the guaranteed payments for one additional year. Edmonds recommended to plaintiff that the agreement not be executed, in spite of Troxell's explanation that originally though it was thought the 1949 crop of potatoes would be available for production the 1950 crop would be the first that could be processed (PX 8, III-167).

Troxell then proposed to Edmonds that he prepare a new draft in order to determine where the parties "do not have a meeting of the minds" (PX 8, III-170). Edmonds did not reply, and that ended their exchange.

Plaintiff restricts its cause of action solely to the "business understanding" arising exclusively out of the March, 1949, meeting. Templeton prepared his "Heads" right after this meeting while it supposedly was fresh in his mind. At page 27 of its Main Brief, plaintiff lists the obligations (we assume of the March, 1949, meeting) imposed upon it. We will re-examine some of these so-called "obligations" of plaintiff:

(a) "a) a license under all its U.S. patent rights;"
(Plaintiff had no rights at that time.)

(b) "b) an obligation actively to perfect and protect those rights;" (This was not covered in the "Heads".)

(c) "c) refraining from licensing another (R. T. French excepted) nation-wide if defendant met certain conditions;" (In the "Heads" plaintiff certified its exclusive right to license others under the patents. With Bunimovitch as joint owner, this phrase is absolutely meaningless. Also, the French license is not mentioned.)

(d) "d) refraining from licensing another in Idaho;"
(Not covered in "Heads" -- origin, the Troxell draft.)

(e) "f) a most-favored licensee position for defendant "
(Not in "Heads" -- origin, the Troxell draft.)

(f) "g) a guarantee against infringement of the patents of others;" (Not in "Heads" at all.)

(g) "h) an assured license for the entire life of any licensed patent;" (Plaintiff had no patents at this time.)

At this point, by way of contrast we should point out the principal differences between the Troxell draft (PX 8, III-149) which he prepared following his advice from Beale, and the "Heads" (PX 8, III-43) and Edmonds' draft (PX 8, III-60).

Plaintiff makes the statement, devoid of support in the record, that counsel were consulted for the sole purpose of putting into a formalized document customary and routine license provisions unique to the field of patents. Perhaps the court can take judicial notice that the lawyer really is not relegated to the scrivener's role in serving his client. We believe these provisions from the Troxell draft evidence the proper function of the attorney -- not to remake the parties' understanding but rather to put into the contract the protective provisions that will insure to his client the benefits for which he has bargained.

Troxell provisions not found in "Heads" or Edmonds' draft:

(a) Broadening the license to cover products or commodities other than potatoes utilizing the patents.

(b) A warranty by plaintiff of exclusive licensing rights to Volpertas and sole ownership of Rivoche.

(c) A license to manufacture anywhere in the United States, territories or possessions and to sell to the U.S., the Army for use in the U.S. or for export to any country, and to sell and export to any foreign country, where plaintiff does not hold a patent.

(d) Any improvement patents of plaintiff shall be included in the license, but shall not extend period to pay royalties, unless actually utilized by defendant.

(e) Since the 1949 potato crop was not available, production contemplated in 1950, not 1949.

(f) An exception to defendant's obligation to disclose improvements, permitting defendant to withhold processes distinguishable from license patents and which would entitle defendant to issuance of a patent thereon.

(g) Change from plaintiff's "high standards" of quality to "minimum standards" and defining the term.

(h) Redefining basis for royalty to sales f. o. b. manufacturing plant, after deducting freight costs from plant and brokerage fees paid.

(i) Permitting plaintiff's examination of defendant's records by a C. P. A., but at plaintiff's sole expense.

(j) (1) Revision of royalty and minimum tonnage provisions -- defendant to lose "exclusive license" if it fails to meet minimum requirements, but nevertheless to retain "non-exclusive" license; plaintiff at no time to license a manufacturer in Idaho, and none to be granted to others at a lesser royalty.

(2) That the R. T. French license permit no processing in Idaho, and shall not place defendant at a competitive disadvantage.

(k) Any development of new process, not acquired by plaintiff, defendant can cancel instead of agreeing to or arbitrating a revised royalty rate.

(l) Any other licensees under Faitelowitz, and competitive disadvantage results to defendant, royalty adjusted to eliminate disadvantage. (To protect against Bunimovitch joint ownership.)

(m) Under "Heads" plaintiff merely assumed liabilities for infringement of other patents. Troxell provides defendant be defended by plaintiff at the latter's cost, and provides proper notice details. In event of judgment of infringement against defendant, plaintiff to pay judgment and to provide financial resources in U. S. to indemnify defendant.

(n) Termination option in two years.

(o) Option in plaintiff to cancel on two years discontinuance of defendant's operations, tolled by force, majeure labor difficulties or causes beyond its control, etc.

(p) Either party terminate if anti-trust suit brought by U. S.

(q) In event of any termination, the obligation of plaintiff to defend against infringement action, etc., shall continue for the period of limitations within which infringement suit could be filed.

(r) Courts of Idaho have jurisdiction in suit between the parties. Contract interpreted under Idaho law.

(s) A detailed and binding arbitration provision, leaving no gray areas as found in Edmonds and the "Heads".

(t) Assignment by plaintiff to American company if defendant protected under infringement provision. American company not to engage in manufacturing; otherwise, no assignment by either without consent of other.

Most of the provisions above set forth appear in Troxell's letter to Beale, copy to Templeton, August 9, 1949, (PX 8, III-118-121, inclusive).

Plaintiff argues extensively, and cites some authority, that parties need only agree on essential terms. It oversimplifies the essential areas of agreement that must appear in an involved, complex licensing agreement. We believe the inclusion by Troxell in his letter of April 9, 1949, and his draft of agreement of the aforesaid conditions will establish to the complete satisfaction of the court that so many matters were unresolved between the parties, to reach an enforceable agreement the court would have to write the contract between them.

D. NO ENFORCEABLE, EXPRESS ORAL AGREEMENT WAS REACHED BETWEEN THE PARTIES.

The negotiations between the parties remained only that, and no

meeting of the minds of the respective parties with respect to the essential elements of a contract existed.

Brothers v. Arave, 174 P.2d 202 (1946). Appellants sued to quiet title to real property allegedly purchased under contract from respondents. Respondents denied appellant's title. The court ruled that no contract was created absent a meeting of the minds. Cited with approval was Phelps v. Good, 96 P. 216 (Idaho), as follows:

"In order to constitute a contract there must be a distinct understanding common to both parties. The minds of the parties must meet as to all of its terms, and, if any portion of the proposed terms is unsettled and provided for there is no contract."

Hale v. Dolly Varden Lumber Company, 230 P.2d 841 (1951).

One party alleged the contract was made when the parties orally came to an agreement, the other alleging it was made when the parties signed the written contract which supposedly embodied the oral agreement:

"It is essential to the validity of a contract that the parties should have consented to the same subject matter in the same sense. They must have contracted ad idem * * * to be final, the agreement must extend to all the terms which the parties intend to introduce and material terms cannot be left to future settlement.

* * * * *

"There can be no contract unless the minds of the parties have met and mutually agreed. Consent is not mutual unless all the parties agree upon the same thing in the same sense. The minds of contracting parties must draw together and become as one touching the subject matter and the terms and conditions before a contract can be consummated." (Emphasis ours.)

Of particular significance because of its strong similarity to

dealings between the parties to this appeal is Rubsam v. Harley C. Loney Co., 117 F.Supp. 164 (1953), affirmed at 217 F.2d 353, cert. denied, 350 U.S. 833, 76 Sup. Ct. 69. This was an action for injunctive relief for invasion of an exclusive licensing agreement and for an accounting of royalties allegedly due on an implied licensing agreement. In determining no implied contract existed, the court stated:

"The plaintiff further claims that all of the elements of an offer, acceptance and subsequent conduct form the basis of an implied contract, and amply appear from the evidence in the case.

"It is conceded that no formal license on Rubsam patents in the service field was ever signed or executed as a contract by the parties to this litigation.

"From the evidence submitted in relation to the existence or nonexistence of an implied license between the parties herein, we find postponement of the making of an offer; attempts by the parties to get together on an agreement an expressed desire on the part of Rubsam to stay out of the service field with his type of weights; the possibility of a final agreement contingent upon the application of a low price to large consumers; completely divergent views by each of the parties as to the function of the hole in the clip; a constant controversy between the parties, and a repeated denial by Loney of the validity of Rubsam's patent No. 2, 137, 146; an acknowledgment by Rubsam that Loney considered Rubsam's patent No. 2, 137, 146 invalid; the conduct of Rubsam and his counsel in notifying five of Lone's customers of the infringement of his, Rubsam's, patent on the hole in the clip, No. 2, 137, 146, and the conduct of Rubsam in placing Loney in the category of a selling agent in the production field.

"From the foregoing analysis of the evidence, it is impossible to perceive in the conduct of these parties that degree of mutuality of understanding that is necessary to imply a license. Here is a background rampant with uncertainty and indecision upon a subject matter constantly under accusation of patent invalidity by one of the parties. When, as here, doubt and difference prevail in the minds

of the parties, this court cannot, and will not, imply a contractual relationship between them.

* * * * *

"In conclusion, it has been stated by counsel for one of the parties that:

'The history of the relationship between the parties has been stormy and wordy, as is evidenced by the volumes of correspondence between them, only a small part of which has been introduced here in evidence.'

and, to this conservative appraisal of the conduct of the parties, this court can only add that if the minds of the parties ever met on any given proposition in relation to their business dealings, it was an extremely casual and confused meeting, of short duration.

"Such history of confusion and uncertainty reflects critical deviation from any embarkation upon, and adherence to a defined contractual relationship."

In Duval Sulphur and Potash Company v. Potash Company of

America, 10 Cir., 244 F.2d 698 (1957), both parties alleged an implied licensing agreement. The plaintiff (Potash) alleged that the implied license provided for royalty to be paid by the defendant (Duval) whereas the defendant alleged an implied gratuitous license with no royalties to be paid. The court said:

"We hold that there is no implied license of any sort in this case. Such licenses arise only out of the conduct of the parties that indicates accord."

The court found that defendant had at all times refused a license for the patent involved because it was convinced its process was not an infringement. Duval's rejection of an express license with royalties negated an agreement upon an implied license to the same effect.

Defendant denied plaintiff's rights, claimed a right to use its process regardless of the patent, and disregarded all claims of plaintiff.

As to this the court said:

"To create an implied agreement, one must have a meeting of the minds as in any contract, the variance from an express agreement being only the character of the evidence used to establish it."

To the same effect see Core Laboratories v. Hayward-Wolff Research Corporation, 136 A.2d 553 (1957).

The plaintiff relies to a large extent on the case of Mantell v. International Plastic Harmonica Corp., 55 A.2d 250, 173 A.L.R. 1185 (N. J. 1947) for the proposition that the court will read into an agreement essential elements in contemplation of the parties yet not specifically included. This case easily may be distinguished from the case at bar for the reason that an explicit, detailed written contract was actually executed by both parties to the agreement. Involved was a distributor's contract for the sale of the manufacturer's output of a new type of harmonica. The only detail in doubt before the court was the price of the product to the distributor. The court had some yardsticks in the contract to measure the obvious intent of the parties. For one thing, the price to be charged by the distributor was set. The price to be charged to the distributor could not exceed those given to "any other distributor". The obvious intent was to maintain the distributor's margin between his cost and his selling price. Under the peculiar circumstance of this case the court found:

"* * * the stipulation itself suggests a fair and reasonable price standard, applied as the circumstances became known and were evaluated. If it be deemed a mode for ascertaining the price, it is a matter of form rather than of substance, subsidiary and incidental to the principal purpose of the agreement, and treated virtually as a promise to sell for a fair price, and the contract effectuated accordingly."

The case of People v. Interstate Eng. & Con. Co., 58 Idaho 457, 75 P.2d 997 (1937), likewise must be given a qualification not apparent from plaintiff's brief. Plaintiff contends that it stands for the proposition that if an agreement be sufficiently definite to ascertain the intent of the parties the court may enforce it. However, in this case the court merely found sufficient evidence in the record, with full performance by the plaintiff, to sustain a judgment for it. We note this statement from the court at page 463:

"* * * The rule so strenuously contended for the appellant Triplett that: 'If an agreement be so vague and indefinite that it is not possible to collect the full intent of the parties, it is void; for neither the Court nor the Jury can make an agreement for the parties.' must work both ways; * * *."

Plaintiff relies on Pennsylvania Co. v. Wilmington Trust Co., 166 A.2d 726 (Del. 1960) for the rule that even where parties leave "necessary details to implement the agreement" to be worked out by their attorneys, which fail of accomplishment, equity nevertheless will enforce the agreement. Upon examination, the facts here show no parallel to the present litigation. There by letter exchange, every single detail concerning the sale of the stock including number of shares and amount to be paid was specifically set forth and agreed upon in writing. The

details left to the attorneys was the formal approval of the board of directors and approval, if necessary, of the Interstate Commerce Commission. It is obvious that the court did not have to write a contract for the parties in this case, as it would have to do in the present appeal to find an enforceable understanding.

Further, plaintiff relies on the Idaho decision of McCandless v. Schick, 380 P. 893 (Idaho 1963) for the rule that the reduction to formal writing is not necessary, although agreed upon, where an oral contract has been made. We have no quarrel with this statement, but we refer the court to the actual holding in that case. There was a writing here, the standard form of earnest money receipt and agreement, which contemplated subsequent memorializing on a formal basis. This was a simple agreement for purchase and sale of a farm and every detail was spelled out minutely, excepting only for payment of the balance of the purchase price. The agreement specified this to be paid "at one-third gross crop per year". Farming land being the subject of the agreement and the words having a clear, understandable and acceptable meaning in farm practice, the court, of course, had no trouble in enforcing the agreement. Contrary to plaintiff's notion, the contract was written, not oral.

E. NO QUASI-LICENSE MATERIALIZED FROM THE NEGOTIATIONS
BETWEEN THE PARTIES.

A very brief portion only of plaintiff's brief is devoted to the argument that Templeton's disclosures resulted in an implied obligation

on the part of the defendant to pay. The court in its findings did state that plaintiff supplied the defendant with "technical information of some benefit" (R 49 - Findings of Fact IX). We submit that upon detailed analysis this finding is not supported by the record. Plaintiff claims the "know how" disclosed to defendant at the demonstration in Caldwell is the basis for its claim of unjust enrichment. Templeton's "know how" is subject to the following colloquy:

"Mr. Hawley: Q. Now, in connection with the demonstration, can you tell me whether there was anything shown or demonstrated in the laboratory there that was not readily ascertainable in the printed patents that are involved in this suit?

"Mr. Templeton: No, I don't think there was." (T IV-912)

Plaintiff relies on three cited Ninth Circuit decisions, the latest being Engelhard Industries, Inc. v. Research Instrumental Corporation, 9 Cir., 324 F.2d 347 (1963). There the court held that information subsequently contained in a patent disclosed confidentially prior to the issuance of the patent would qualify for a claim of unjust enrichment, based upon the profits resulting from the acceleration of production by reason of the disclosure. A short review of the patents in suit is therefore necessary before this rule can intelligently be applied.

Faitelowitz was issued May 31, 1938; Volpertas, July 4, 1944; and Rivoche, August 29, 1950 (R 43 - Findings of Fact III). Rivoche was based on prior British patents issued in 1948, the Rivoche United States application having been amended in 1950 to include claims 17 and 18

in suit (R 18899 - Findings of Fact IV, XXVI). These claims were anticipated by Rendle. The court found claims 17 and 18 not inventive and therefore invalid (R 18899 - Findings of Fact XXVI, XXVII). Plaintiff admits Rivoche did not invent "add-back", the same being covered by the issued Faitelowitz Patent.

At the time of the Caldwell demonstration by Templeton, Kueneman was fully familiar with the add-back principle and with all of the patents in suit (T 974, 981-983, inclusive, 1062; DX 28 A - DX 28 B II 63 to 65, inclusive).

Plaintiff believes it "incredible" that neither Simplot nor Troxell was aware of the demonstration put on by Templeton after the March 1949 meeting. The fact remains that, under oath, they so testified. Simplot testified also that his managers made decisions and ran their end of the business, so it is not as improbable as plaintiff would lead the court to believe that Kueneman as the Director of Research and Development of the Food Processing Division of the defendant would undertake to consent to such demonstration without instruction from Simplot. The inference appears that Dunlap, an employee of defendant who participated in the demonstration, was a witness at the trial. This is not so, and we believe any part Dunlap plays in plaintiff's case be discounted by reading his letter to Templeton of February 24, 1948, (PX III 30 & 31) where even though then an employee of the defendant company he was soliciting Templeton to set him up in a private business. Templeton, at least until he had firmed a deal with defendant, was holding the bait out to

Dunlap (PX 18 , III-33).

"* * * He (Templeton) is very interested in your penultimate paragraph and in fact would be ready to negotiate on your suggestion regarding potato granules. He would, therefore, be glad to have further particulars of the proposals you have in mind. "

Of the information disclosed by Templeton none was of any value to, or utilized by the defendant. The add-back principle of Faitelowitz was covered by a then issued and outstanding patent as was the add-back method of Volpertas. Therefore, under Engelhard, supra, none of this information can be the basis for an equitable claim against the defendant. His demonstration with respect to Rivoche was restricted to the application then pending and covered only freezing and centrifuging. It was not until after the demonstration that he added the two new claims to his pending Rivoche Application, both of which were invalidated by the trial court. Thus, the only process covered by Templeton in his 1949 demonstration, ever utilized by defendant, was add-back which cannot be the basis for a claim of unjust enrichment.

Because the defendant did not go into commercial production until after Templeton's visit, the trial court believed that at least some technical benefit was conferred by Templeton. The record, however, conclusively shows no commercial market existed until that time, so there would be no occasion to get into production. Under the circumstances, there is no legal basis for recovery on the theory of an implied or quasi-agreement under the principles laid down by the court in Engelhard, supra. We will, however, briefly review additional authorities

on this point.

The doctrine had no application where the benefits to a defendant were gratuitously conferred by the plaintiff. Hixon v. Allphin, 281 P.2d 1042 (Idaho 1955).

The successful prosecution of an action for unjust enrichment, as uniformly stated in the cases, where invention is disclosed is dependent upon plaintiffs sustaining the burden of proof with regard to these essentials: 1) Disclosure by the plaintiff to the defendant of a novel idea, i. e., new to the defendant; 2) the disclosure must be made in confidence, under such circumstances that there is implied in law a promise to pay for such information disclosed; 3) the information in fact must be put to use by the defendant to his benefit.

In Berry v. Glidden Company, 92 F. Supp. 909 (N. Y. 1950), plaintiff sued defendant to restrain defendant from using or disclosing a secret formula for which he had made patent application and which the plaintiff alleged he originated and revealed to the defendant in confidence. The court in ruling against the plaintiff said:

"It is not enough, however, that the defendant used what the plaintiff imparted to it in confidence. Before defendant can be restrained from, or held to account for, such use the plaintiff must further establish that he did disclose something novel to the defendant * * *.

"If the rule were not so restricted it is obvious that by disclosing an idea under delusions of confidence, the person making the disclosure could thereafter prevent the confidante (sic) from subsequently making use of it, even though the idea was well known prior to the date of the disclosure and open to the use of all others in the world. "

The court went on to note that the plaintiff's formula had been already anticipated by certain patents, under which defendant had been a licensee for some years prior to disclosure by the plaintiff.

Boop v. Ford Motor Company, 177 F.Supp. 522 (1960), affirmed, 278 F.2d 197. Plaintiff alleged: (1) defendant acquired from the plaintiff by fraud and misrepresentation, certain new and novel ideas; (2) plaintiff contracted to and did sell the idea to the defendant; (3) defendants wrongfully converted to their own use the ideas. Motion for summary judgment granted.

Defendant contended: (1) the ideas were not used by Ford; (2) the alleged ideas of the plaintiff were not new and novel; (3) they were not disclosed to Ford in confidence; and (4) the plaintiff had agreed that his rights would be limited to valid patent claims, none being asserted in this case. The court said:

"Thus to support any one of the three paragraphs of his complaint, the plaintiff at the trial would have to establish at least the following:

"(1) Disclosure of a new and novel idea, and (2) the use thereof by the defendant.

"If there is no genuine issue as to the material facts upon either the issue of (1) the new and novel character of the ideas, or (2) the use by Ford of the ideas, the existence of disputed facts with respect to any other matters alleged in the complaint is fully irrelevant to the disposition of this motion.

* * * * *

"Only those features in the Ford picker which can be found only in plaintiff's pickers and of which it can be shown that Ford * * *. For the plaintiff to prevail, it must appear that the ideas used by the defendant in its pickers came from the defendant.

"Without analyzing these patents in detail, it is apparent that all of the principle features of the plaintiff's two-pickers, and indeed much more, is disclosed by the patents. "

The court also took note of advertisements and sales literature concerning units which were on the market prior to the time that plaintiff had made a disclosure to the defendant and which utilized some of the ideas which the plaintiff disclosed.

"Now if all the ideas which the plaintiff had in either of his pickers were old and were known to Dearborn, the plaintiff's case must fall. "

Quite similar to the case at bar is Mycalex Corp. of America v. Pemco Corporation, 4 Cir. , 159 F.2d 907 (1947). Plaintiff sued for an accounting of profits and injunctive relief. Judgment for defendant.

"* * * The plaintiff's case is largely upon suspicion rather than of proof. Such inferences, unfavorable to the defendants, which the plaintiff seeks to draw from the visits to its plant by Pemco officers and the subsequent embarking by Pemco in the field commercially manufacturing and selling glass bonded mica, are overcome by Pemco's previous interest and experiments in this field, inspired by the war, plus the knowledge of Athy from his association and employment with General Electric Company plus the utter failure of plaintiff to prove that the Pemco officers acquired any important secret information from the plaintiff or that defendant actually used in their manufacture of glass bonded mica any material knowledge, (whether secret or not), which was acquired by the officers on their visits (at the instance of plaintiff) to plaintiff's plant. "

In Flanigan v. Ditto, Inc. , 7 Cir. , 84 F.2d 490 (1936), plaintiff sought to recover for breach of express contract and also for breach of confidence for disclosures made and used by defendant. Judgment for defendant.

"The patent had been issued, whereby whatever of novelty was inherent in it was disclosed to the world -- including Ditto. Such disclosure is the price which the inventor pays the government for the exclusive time-limited monopoly of the invention which it grants the inventor by its patent contract. 35 U.S.C. § 33.

* * * If before the issuance of the patent the invention had been revealed in confidence to another who took advantage of it, appropriate relief in a proper action might be accorded. *Booth v. Stutz Motor Car Company*, 56 F.2d 962, but it does not appear from the evidence that any such advantage of this inventor was sought or taken by Ditto * * *. It was not until after the inventor paid the price which the government exacts for the monopoly it granted to him, to-wit, full disclosure of how to practice the invention, that Ditto assumed to do those things which the inventor here claims to have been an invasion of his rights."

See also: National Welding Equipment Company v. Hammon

Precision Equipment Company, 165 F.Supp. 788 (D. C. Cal. 1958).

In Smoley v. New Jersey Zink Company, 24 F. Supp. 294 (N. J.

1938), affirmed 106 F.2d 314, plaintiff sued defendants to require an assignment of patents to plaintiff, to account for profits and for an injunction. Judgment for defendant.

Plaintiff alleged that he had visited the various officers of the defendant and told them of his idea of applying the principal of rectification to the separation of metals.

The defendant alleged that this idea was never divulged to its employees by Smoley; and, in addition, denied that there was anything novel about Smoley's alleged idea.

Defendant in rebuttal of any disclosure by plaintiff introduced evidence showing that its employees had been working on the matter and

had envisioned the plaintiff's idea long before the plaintiff visited the plant. In addition, it introduced into evidence an article published ten years before plaintiff's disclosure which suggested plaintiff's idea.

"A further condition to recover is that the idea disclosed must be novel. * * * A duty to use an idea already known cannot be created by virtue of the fact that one makes a confidential disclosure of that idea. * * * If the rule were not so restricted it is obvious that by so disclosing an idea under delusions of confidence, the person making the disclosure could thereafter prevent the confidante from subsequently making use of it, even though the idea was well known prior to the date of the disclosure and open to the use of all others in the world. "

DeFillippie v. Chrysler Corporation, 53 F.Supp. 977 (N. Y. 1944). Suit was brought by plaintiff for accounting for use by defendant of plaintiff's invention, on theory of an implied contract. Complaint dismissed.

"Assuming that whatever disclosure was made by plaintiff was in strict confidence, I think he has failed to prove that he disclosed anything novel or patentable, or that the defendant had appropriated or used anything that he so disclosed.

* * * * *

"In view of what has been said, there could be no implied contract to pay for a device not novel nor used by the defendant. "

F. THE UNIFORM SALES LAW OF IDAHO IS NOT APPLICABLE.

1. The Uniform Sales Law of Idaho (Sec. 64-109(4), Idaho Code) has no application to this case.

Plaintiff contends that under this provision where the royalty is not fixed by contract the buyer (defendant) must pay, in the language of

the statute, "a reasonable price".

We first look to the contracts of sale covered by the statute:

"Contracts to Sell and Sales - 1. A contract to sell goods is a contract whereby the seller agrees to transfer the property in goods to the buyer for consideration called the price. 2. A sale of goods is an agreement whereby the seller transfers the property in goods to buyer for a consideration called a price. 3. A contract to sell or a sale may be absolute or conditional. 4. There may be a contract to sell or a sale between one part owner and other." (Sec. 64-101, Idaho Code)

Patents are not within the meaning of the term "goods" as used in the statute. In the annotation, 132 A. L. R. 532, the term goods means property having a mercantile characteristic and the subject of trade in commerce. Patents obviously are not in this category.

A patent is not a chattel personal as claimed by the plaintiffs, but is a chose in action. According to Williston on Sales, Vol. 1, Sec. 37, Rev. Ed. 1948, "the words of the statute (the Uniform Sales Act) have never yet been extended by any court beyond securities which are subjects of common sale and barter and which have a visible and tangible form". A strong case holding a patent not within the Uniform Sales Act is Beacon Oil Company v. Perelis, 160 N. E. 892 (Sup. Ct. of Mass. 1928).

The court said:

"* * * The words of the statute have never yet been extended by any court beyond securities which are subject to common sale and barter, and which have a visible and palpable form. To include in them an incorporeal right for franchise, granted by the government, securing to the inventor and his assigns the exclusive right to make, use and vend the article patented; or a share in that right, which has no separate or distinct

existence at law until created by the instrument of assignment would be unreasonable to extend the meaning and effect of words which have already been carried quite far enough. * * *."

The legal effect of a patent is the right to restrain others from manufacturing, using or selling that which the inventor has invented, and this the law will enforce. It is a right, not goods or tangible property subject to common sale and barter.

In this case we have a purported license agreement only -- a license in defendant to use the patents involved in the suit. The owner of a patent who grants a license, retains title to the patent in trust for the licensee. Consequently, this also is a right which is not subject to common sale and barter and does not have visible or tangible form.

In Empire Laboratories, Inc. v. Golden Distributing Corporation, 164 N. E. 772 (Sup. Ct. of Mass. 1929), we find at page 773:

"* * * 'Merchandise' is, it has been said, a word of large signification. * * *. It is however limited to 'subjects of commerce' goods, wares, commodities, having a 'sensible, intrinsic value,' * * * or tangible property which may be the subject of sale * * *. Although Promissory notes and shares of stock have been held to be merchandise under the statute of frauds, * * * the words of the statute of frauds have never been extended beyond securities which are the subjects of sale and 'which have a visible and palpable form'; and these words do not include a patent right granted to an inventor. * * *."

See also: Williston on Sales, Vol. 1, Sec. 67, P. 171, Rev. Ed. 1948; Meehan v. Sharp, 151 Mass. 564, 24 N. E. 907 (Sup. Ct. of Mass. 1894); Vincent v. Vieths, 60 Mo. App. 9 (St. Louis Ct. of App. 1894); Banta v. Chicago, 172 Ill. 218, 264, 50 N. E. 233 (Sup. Ct. of Ill. 1898), 40 L. R. A.

611; Howe v. Jones, 57 Iowa 139, 8 N. W. 451 (Iowa Sup. Ct. 1881).

The cases cited by plaintiff in support of its contention that the Uniform Sales Act applies to a patent license are not on target -- none involve property, other than those normally thought of as merchandise moving in the channels of trade and commerce.

G. APPELLANT'S REFERENCE TO OTHER LITIGATION INVOLVING APPELLEE IS IRRELEVANT AND PREJUDICIAL.

Plaintiff refers to Simplot's testimony as a "tale", it being clear the term is used in its meaning of an intentional untrue recital or falsehood rather than in the sense of a narrative, and cites three cases: J. R. Simplot Co. v. Dallas Rupe & Son, Inc., 369 P.2d 445 (Nev. 1962); Archer v. J. R. Simplot Co., 10 Cir., 289 F.2d 596 (1961); and United States v. J. R. Simplot Co., 192 F.Supp. 734 (Utah 1961). Transparently, these cases are not cited to assist this court in applying the law to the case, for they contain no statement of applicable law. Plaintiff's motivation is obvious. Rather than genuinely to assist the court in its determination, this is a crude and unlawyerlike attempt in execrable taste to go again outside of the record, hoping to prejudice the defendant in the eyes of the court.

Perhaps this portion of plaintiff's brief should not even be discussed; however, since plaintiff brings the matter up, it is interesting to note that in the Rupe and Archer cases written contracts were involved, with alleged oral modifications. In Rupe, there was a detailed written contract and the question involved an oral financial commitment as being sufficient

to constitute performance of the agreement. In Archer a specific written joint venture contract was involved. The only question was whether adequate notice had been given to the plaintiff Archer of the defendant's desire to withdraw from certain oil leases so that Archer would have opportunity to take them back. The court found both oral and written notices had been appropriately given by the defendant Simplot Company.

The case of United States v. Simplot, supra, was a perjury indictment against J. R. Simplot, growing out of the Archer case. After losing his lawsuit, Archer and counsel went to the United States Attorney and before the federal grand jury and got an indictment against J. R. Simplot which was subsequently dismissed by Judge Christensen and which never was again filed.

While out of order, we should also mention plaintiff's citation of N. L. R. B. v. J. R. Simplot Company, 9 Cir., 322 F.2d 170 (1963). It appears in plaintiff's brief for the proposition that a contract to negotiate is binding. This was a labor dispute, and the sole question was whether the defendant was deprived of due process of law by the failure of the Board to grant a hearing before setting an election aside. This, of course, involved the construction of a specific statute, and it is absolutely and completely inappropriate as a citation in support of the proposition urged. We can then only again conclude that it is cited merely to emphasize the fact that the Simplot Company occasionally is involved in litigation, for its prejudicial effect.

H. ADVICE AND RECOMMENDATIONS OF DEFENDANT'S COUNSEL
A CONDITION PRECEDENT TO THE FORMATION OF A LICENSE
AGREEMENT.

From the inception of negotiations, all parties recognized the importance of legal advice. Now, because defendant wisely listened to the counsel of Beale and Troxell, the former is directly and the latter indirectly charged with bad faith, in destroying the formalizing of a contract between the parties.

Plaintiff devotes four pages of its brief (51-54) to pure speculation on the various roles that Beale might have played in the negotiations. The point remains, he provided his client with legal opinions that showed plaintiff's offer of "the umbrella of a patent position" a fraud. What did Beale's opinion develop in this respect?

1. That plaintiff had no title to Faitelowitz, title being in the Alien Property Custodian, and could grant no license thereunder. Further, that to grant defendant an exclusive license plaintiff must (a) divest the APC title and (b) acquire the Bunimovitch 75% interest.

Edmonds confirmed this:

"* * * (Plaintiff) cannot now grant a license under the Faitelowitz patent. That (plaintiff) would have to institute divestment proceedings and acquire the Bunimovitch interest is correct only to the extent that (plaintiff) would have to do those two things in order to grant an exclusive license * * * ." (Edmonds' letter to Beale, June 11, 1949 - PX 8, III-111)

2. That Faitelowitz was anticipated by the prior art -- in particular, the Rendle patent.

3. That Volpertas and Faitelowitz were not basic patents, probably invalid, and if not, narrow in scope.

4. Rivoche was only an application, and if maturing into patent, would be invalid, or at least of narrow scope.

Since Judge Taylor found no infringement of Faitelowitz and Volpertas, and therefore did not rule on the invalidity of those patents; and, likewise, since he found claims 16 and 17 of Rivoche invalid (these having been added in 1950 to the application), plaintiff flatly asserts that Beale's opinion was "as a matter of law, capricious and arbitrary". No authorities are cited to support this statement. It further argues that these matters were not "fundamental" flaws to plaintiff's offer, and thus Beale's advice to his client was erroneous, not in good faith and an unauthorized attempt to remake the "understanding".

At the outset plaintiff obviously is rowing upstream with this argument, since the trial court found no merit to its patent action.

We will re-examine the law applicable to agreements, conditioned upon advice of counsel.

The position taken by plaintiff is that where, particularly in real estate agreements calling for marketable title and in construction contracts where a third person has authority to make certain decisions, good faith and reasonable judgment is required on the part of the third party. Plaintiff admits the problem facing the patent attorney in reviewing a license contract is as simple, stating he must "evaluate both engineering and legal criteria to advise his client." It is, therefore, simply not a



mechanical matter like counting gravel or examining the title to a piece of real property. The cases cited by plaintiff in support of this proposition generally show that the third person, whether he be an attorney or otherwise, must exercise his judgment using good faith. In Pacific Telephone & Telegraph Co. v. Davenport, 9 Cir., 236 F. 877 (1916) this court in looking at the attorney's conduct in rejecting the title for his client, the purchaser, stated, at page 880:

"* * * There is nothing in the record even tending to show that the action of either the appellant or his attorneys in the respects indicated was in bad faith, arbitrary, or in any way capricious. * * *

* * * * *

"Passing that consideration, however, the refusal of the appellant to make the purchase being also based on the grounds that the appellee's title to the property was not acceptable to the appellant's attorneys, and the evidence not only tending to show a bad faith or arbitrary or capricious action, in that regard, but that the rejection of title by attorneys for the appellant was based upon facts which were clearly debatable, and at least not free from doubt, we regard it as clear that the decree enforcing the specific performance of the contract cannot be sustained * * *.

" 'It is perfectly competent for the parties to stipulate that the title of the vendor shall be such as will be pronounced good and merchantable by an attorney, title or trust company, or other third person, and the purchaser will not be required to take a title not so pronounced good so long as there is good faith, although the court may deem it good under the law. Under such a contract the approval or disapproval of such third person is conclusive, if made in good faith, and with no improper motive, although in the opinion of the court the title may be good as a matter of law. ' "

(Emphasis ours.)

The case cited by plaintiff, Nelson Bennett Company v. Twin Falls

Land & Water Company, 14 Idaho 5, 93 P. 789 (1908) is an extreme one where the estimates of the engineer for one of the parties was to be determinative as to amounts. The trial judge actually found bias, dishonesty and fraud on the part of the engineer. The Idaho Supreme Court in Puget Sound Nat. Bank of Tacoma v. C.B. Lauch Const. Co., 245 P. 2800 (1952), stated the general rule on construction contracts also to be, at page 805:

"The contract in question provided that the painting job should be done to the full and complete satisfaction of certain specified persons. This means satisfaction to a reasonable person * * *."

There is an extensive annotation following the reported case of Larson v. Thompson, 215 N.W. 927 (S.D. 1927), 57 A.L.R. 1246. In the reported case the purchaser was not required to accept the title doubtful to his attorney. The court stated at page 1250:

"* * * If there are defects that will form the basis for objection, and which will be objected to by most, if not all, reputable and competent attorneys to whom the abstract may be submitted, then the purchaser ought not to be compelled to accept such title * * *."

As detailed in the annotation to this case, there are decisions that the attorney's opinion if made in good faith, is conclusive. Other cases hold the approval of the attorney is not a condition precedent to the right to enforce the contract, but rather it is sufficient if the vendor shows that in fact the title was marketable and that the attorney acted in an unreasonable manner.

In any event, this court has determined that an attorney need only

act in good faith, and, if so, his opinion shall be conclusive.

The suggestion is made that at no time did Beale communicate his opinion to defendant. Plaintiff knows better, and the record so shows. Beale's opinion on the patents was given by Troxell to Mr. Templeton (T 1319, Vol. VII), and both Templeton and his attorney received Troxell's letter of April 6, 1949, summarizing in brief Beale's objection to the status of the patents. (PX 8, III-78-79) In addition, in August of 1949 Troxell reviewed these matters with Templeton and in the same month Templeton spent some hours with Beale. Surely, therefore, it comes at a late date for counsel to plead ignorance of Mr. Beale's opinion.

Plaintiff raised no question at the trial about the good faith of Beale's advice to his client, and, obviously, a reading of the record shows that it assumes he had given the advice which appears in Troxell's letter to Templeton. Plaintiff, of course, if they question all the good faith of Mr. Beale, had the right of discovery to request these opinions if they deemed them material. Further, he was present during the entire trial, had plaintiff desired to put him on the stand to determine his good faith or lack of it.

I. LIMITATIONS, IN BAR OF THE ACTION.

Plaintiff ties its case to an oral "understanding" made in March of 1949. Suit was instituted February 1, 1960, eleven years after the purported contract was made.

The Idaho statute of limitations governing oral agreements controls:

"Section 5-217. Action on Oral Contract.
-- Within four years; an action upon a contract,
obligation or liability not founded upon an instru-
ment of writing." (Idaho Code)

It is the defendant's view, as supported by the determination of the trial court, that no enforceable agreement ever materialized between the parties. We, therefore, in arguing limitations must assume for that argument, as does the plaintiff, that a contract was made in March, 1949.

Stripped down to the essence, it is plaintiff's argument, to avoid the bar of the statute, that its action did not accrue until Faitelowitz divested from the ownership of the APC in 1956, the statute running from that date.

The fact remains, however, three mutually exclusive patents were the subject of the alleged license. Suit could be maintained on any one, without regard to the others.

Plaintiff observes the APC acquired Faitelowitz under "clear mistakes of fact", yet there is no evidence in the record to support this. Irrespective, the fact is, as admitted by plaintiff, that at the time the alleged contract was made in 1949 plaintiff could not perform at all. Inconsistently, however, plaintiff asserts that though it expected defendant to perform under the understanding of March, 1949 (and this is conclusively established where Edmonds and Templeton refused the Troxell draft for the reason the royalty payment was deferred), it now says defendant's obligation to perform was delayed until the condition precedent -- vesting of Faitelowitz -- was accomplished by plaintiff in 1956.

It would follow, therefore, under plaintiff's theory, that neither party would commence performance until 1956.

It is apparent, also, that the plaintiff at no time would consider the divestment of Faitelowitz as a real factor in its agreement. Troxell attempted to except royalty payments until Faitelowitz had revested (PX 8, III-118), and in his draft of agreement protected defendant from other licensees under the Bunimovitch joint ownership. Edmonds and Templeton expressly rejected these qualifications.

The trial court found that the plaintiff, by refusing to execute any contracts prepared by the defendant, repudiated any supposed agreement. In addition, after the plaintiff refused to sign the December, 1949, Troxell draft, the defendant went forward with its production and facilities, and in 1951 was in open, full production. Templeton in the fall of 1949, and subsequently, advised plaintiff negotiations had terminated, and by 1950 had licensed other processors and appointed Scott as his United States agent, thus putting the plaintiff in a position where it could not perform under the original offer it had made to defendant.

Certainly the last attempt to negotiate a license, and this a non-exclusive one, because others in the interim had been licensed by plaintiff, was in 1952, through Scott's efforts. These negotiations were likewise unsuccessful, no agreement being reached.

The court determined that defendant repudiated any so-called agreement when it went into full-scale production in 1951, which fact was well known to plaintiff, and that in 1954 at the outside, plaintiff

was openly critical of Templeton's attempt to license others under the patents.

The trial court therefore concluded plaintiff's cause of action accrued in 1954 at the latest. The court also found that negotiations had dragged on interminably, only by reason of "Templeton's perseverance and unwillingness to pursue any other remedy".

Plaintiffs have come up now, for the first time, with the theory that the acts of the defendant constituted an anticipatory breach of the agreement, and that it could wait until it had fully performed (by meeting the condition precedent - the divesting of Faitelowitz) before declaring the breach and filing suit.

Following this theory through, there was no time specified within which plaintiff was to regain title to the patent, so under the authorities a reasonable time would be presumed. The facts show Faitelowitz was returned by the APC in 1956, more than seven years from the date of the alleged oral contract of March, 1949. What occasioned this delay? Where in the record has plaintiff justified this lapse of time? The answer is, the record is silent, and plaintiff cannot give a reasonable explanation for this seven-year wait.

Plaintiff seriously contends that it could delay its own performance indefinitely, and thus toll the running of the statute indefinitely. However, it is the law that the party having an affirmative duty cannot take an unreasonable time to perform and is only given a period the equivalent of the period of limitations. Pitzer v. Wedel, 165 P.2d 971 (Cal. 1946).

The defense of the statute of limitations was raised and the court stated:

"Where no time of payment is fixed, our courts have held that a reasonable time within which to pay is inferred and that such reasonable time may be coincidental with the statute of limitations. * * *. The law implies that the contract shall be performed within a reasonable time or at least reasonable efforts to perform within such time will be made. * * *. Reasonable diligence and good faith must be required in such instances and it is the duty of the court to hear evidence and therefrom fix time that would be fair. "

The statute of limitations was four years and consequently the court fixed four years from the date of the execution of the agreement as a reasonable time within which the contract could have and should have been performed.

In Southworth v. Foy, 201 P.2d 302 (Nev. 1948), the court ruled the statute of limitations in bar of plaintiff's action, saying at page 304:

"When a demand is essential, as a condition precedent to an action, it must be made in a reasonable time. The party bound to make it, can not postpone it indefinitely, and by his procrastination keep alive claims that would otherwise become dormant, and grow stale, the enforcement of which would be offensive to the policy of the law and dangerous to the rights of his adversary.

* * * * *

"It would be a dangerous precedent it would endanger the estates of the dead; it would render the rights of the living uncertain and insecure; it would open the door for the introduction of stale claims, which it has been well said, have often more of cruelty than justice in them; and it would be violative of the policy of the statute of limitations, and defeat the purposes it was intended to accomplish, if without an explanation of the long delay in making demand, and the unwarrantable delay in bringing suit, after the fruitless demand, until Winston was dead, the statute was held not a bar. "

Further, it is not the policy of the law to permit a party against whom the statute runs to defeat his operation by neglecting to do an act which devolves upon him in order to perfect his remedy against another.

See also: 34 Am. Jur., Limitations of Actions, § 116, P. 96; Williston on Contracts, Rev. Ed., Vol. 6, § 2041, P. 5718, 5719; 54 C. J. S., Limitations of Actions, § 200, P. 205.

In Ginther v. Tilton, 23 Cal. Rep. 601 (1962), limitations was applied:

"It appears without contradiction that defendant's promise to perform was conditioned on the time of the happening of the event wholly within the control of plaintiff. Where a plaintiff's right of action depends upon a preliminary act to be performed by himself he cannot suspend indefinitely the running of the statute by delaying performance of this act."

See also: Stafford v. Oil Tool Corporation, 284 P. 2d 937 (Cal. 1955).

J. LACHES ON THE PART OF APPELLANT OPERATES AS A BAR TO RECOVERY.

The record is unquestioned that plaintiff had full knowledge in 1950 that defendant was going forward with granule production, and it was well aware of defendant's processes and the extensive expansion in its plant, facilities and production. As early as June, 1950, Templeton was contending defendant's processes infringed the three patents. Yet plaintiff sat on its hands until February, 1960, when this suit was filed.

The only explanation it has is that it was derelict in waiting to

divest Faitelowitz in 1956; that Simplot and Beale kept him dangling on the end of the string with the illusory hope of an ultimate license. The trial court, however, had a different view of which party to this suit "perservered" in this respect. (R 50 - Findings of Fact)

Further, there is not even an attempt to explain why suit was not initiated at least in 1956 after the revesting of Faitelowitz.

Our answer to the argument that limitations tolled until plaintiff regained the Faitelowitz title likewise applies to laches. Moreover, not only were the patents mutually exclusive, but by Templeton's admission Faitelowitz was not a commercial process, and was never used by the defendant.

Plaintiff attempts to create an estoppel by Mr. Beale's conduct. The deception that "Mr. Beale continued his meeting with plaintiff's attorney" in 1951 and "even more important * * * resumed his meetings with plaintiff's attorneys" after 1956 (Plaintiff's Main Brief, 78) cannot go unanswered.

The facts are: Beale saw Edmonds for a brief time in June, 1949; Templeton for a few hours in August, 1949, and Fisher for a few minutes in 1956 -- all at the instruction of the plaintiff. Fisher, of course, got a "no" on his request for a non-exclusive retrospective license (PX 8, III-223).

This conduct would not seem adequate to remove the staleness from plaintiff's suit.

In a recent decision the Idaho Supreme Court, Finucane v. Village

of Hayden, 384 P.2d 236 (1963), the doctrine of laches was defined:

"The defense of laches is a creation of equity and is a specie of equitable estoppel. * * *."

"The necessary elements of laches are: (1) defendant's invasion of plaintiff's rights, (2) delay in asserting plaintiff's rights, the plaintiff having had notice and an opportunity to institute a suit, (3) lack of knowledge by defendant that plaintiff would assert his rights, and (4) injury or prejudice to defendant in event relief is accorded to plaintiff or the suit is not held to be barred. * * *."

See also: Flora v. Gusman, 279 P.2d 1067 (Idaho 1955).

In Hillcrest Irrigation District v. Nampa and Meridian Irrigation District, 57 Idaho 403, 66 P.2d 115 (1937), was an action to quiet title in the plaintiff. Plaintiff purchased certain water rights in 1913 and made application in the latter part of 1913 for a permit to change the point of diversion to a point much further up the stream from where the water had theretofore been diverted. Hearing was subsequently had and permit was granted and the transfer of diversion made. The court held the doctrine of laches would apply and quieted title in plaintiff, stating:

"Even though appellant's title may have been originally questionable, or uncertain, nevertheless, respondents have stood by, with full knowledge of all the facts, and for more than twenty years have allowed appellant to proceed on the theory that it had valid title to these water rights and a legal right to have the water diverted from the New York Canal; and in the meanwhile has incurred large indebtedness on the strength of its title and right until now respondents are, and should be, stopped by laches from questioning appellant's title."

Robinson v. Linfield College, 42 F.Supp. 147 (Wash. 1941), affirmed 9 Cir., 1943, 136 F.2d 805; certiorari denied, 64 Sup. Ct.



262, 320 U.S. 795, 88 L.Ed. 479, was an action by plaintiff as administrator of the estate of Edward S. Ross and Mary C. Ross, deceased, against defendant to recapture title to certain realty within the State of Washington. This action was brought 19 years after the contested transfer of title in 1922. The court held the doctrine of laches must be applied. The court pointed out that Linfield College had received and expended the money involved from the sale of the property, and that plaintiff waited until the property in question had greatly enhanced in value. The court states the purpose of laches is to guard and protect against the injustices of a stale demand and courts of equity have applied this doctrine to protect defendants from a plaintiff's unexcused delay in bringing the suit.

Chilberg v. City of Los Angeles, 128 P.2d 693 (1942). An action for rescission of an easement granted to the City of Los Angeles by plaintiff. In 1938, plaintiff executed a deed to the City of Los Angeles, conveying an easement of right-of-way across his land. Plaintiff claimed that he was induced to sign the deed through misrepresentation and fraud. The defendant claimed the action barred by laches as plaintiff waited for only three years until 1941 to give written notice of rescission. The court stated:

"The application of the doctrine of laches is not dependent upon the delay of sufficient duration to call into operation the Statute of Limitations. If in the course of inexcusable delay in the assertion of a right, changes occur in the subject matter of the transaction in suit or in the relative position of the parties thereto, as a result of which it is impossible to place the parties

in status quo, and the enforcement of the right work inequity, relief will be denied because of laches. Prejudice to defend may prevent relief whether the change in circumstances is the result of delay itself, or is due to the voluntary act of the defendant." (Emphasis ours.)

Whitman v. Walt Disney Production, Incorporated, 263 F.2d

229 (1958), was an action for infringement of patents. This particular patent was issued to the plaintiff on March 30, 1937. Prior to 1939, plaintiff saw a motion picture produced by the defendant and determined that the process used to produce it infringed his patent. A civil action was filed on September 30, 1939, involving the same plaintiff and the same defendant. This action was dismissed by an order of that court dated December 15, 1939, and consented to by the plaintiff. Another action was filed May 8, 1940, and dismissed on March 30, 1943, without prejudice for lack of prosecution. On July 30, 1953, the present suit was filed and 18 months later an alias summons was issued which was served on January 19, 1955. The defendant moved for a separate trial on issue of laches. The court held the defense of laches barred the suit. The court pointed out the general rule that one cannot have knowledge of an alleged infringement, and then stand idly by while the infringer embarks on a costly expansion program. It stated mere passage of time cannot constitute laches, but if the passage of time can be shown to have lulled defendant into a false sense of security, and the defendant acts in reliance thereon, laches may, in the discretion of the trial court, be applied. The court relied primarily on the case of

Gillons v. Shell Company, 9 Cir., 86 F.2d 600 (1936), "the leading decision in the circuit" on the defense of laches. The court stated:

"The general rule is that equity frowns upon stale demand and that in connection with the bar of laches, from the earliest days, Federal Courts have emphasized the distinction between a reasonable and an unreasonable delay in bringing suit -- even within the period designated by the Statute of Limitations."

In Gillons v. Shell Company, supra, plaintiff filed a bill of complaint against defendant for an accounting for alleged infringement of a patent. It appeared that disclosures regarding said patent were made in certain government and scientific publications which were available to the defendant. The evidence disclosed the plaintiff was aware of the infringement as early as 1920 and 1921 and the action was not instituted until 1930. The court held that the defense of laches was applicable and the suit for infringement was dismissed. The court stated:

"Equity frowns upon stale demands. She will not aid one who has slept on his rights. She turns her back on a litigant who has been guilty of unreasonable delay in filing suit.

* * * * *

"Independently of any statute of limitations, courts of equity uniformly declined to assist a person who has slept upon his rights unreasonably long, and shows no excuse for having done so."

General Electric Company v. Sciaky Brothers, Inc., 187 F.Supp.

667 (Mich. 1960). Plaintiff, G.E., brought action for infringement of two patents against defendant. The defense of laches and estoppel advanced by defendant were held applicable. In arriving at its decision, the court

pointed out that G. E. had dealt with defendant since 1940 and was well acquainted through trade associations, magazine articles, direct negotiations, inventions, social gatherings and exhibits of defendant's equipment and endeavored to arrange with defendant some kind of cross licensing, but failed to do so. Not until 1958 did G. E. claim infringements although defendant's machines used the accused features which had been discussed between them since at least 1948. During G. E.'s silence, defendant built up an extensive business from 1948 to 1956, and it was self-evident that reliance of G. E.'s silence would result in substantial injury to defendant. The court stated:

"We define laches to be the inequity done a party who has changed his position in reliance on an adversary's unreasonable and unexplained delay (or neglect) to seek to enforce a right at a proper time.

* * * * *

"The law is well settled that, where the question of laches is an issue, the plaintiff is chargeable with such knowledge as he might have obtained upon inquiry, provided the facts already known by him were such as to put upon a man of ordinary intelligence the duty of inquiry.

* * * * *

"The fact remains that one having patent rights can not treat the rights given thereby lightly without having the defect of one's own actions used against him when he seeks to claim infringement."

Brennan v. Hawley Products Company, 7 Cir., 182 F.2d 945

(1950), was an action for patent infringement against the defendant for infringement of patent. This patent was issued to plaintiff on August 22

1933. The complaint, charging infringement, was filed on March 31, 1948. Defendant asserted the affirmative defense of laches. The court in dismissing this action on the theory of laches, pointed out that plaintiff had had full knowledge of defendant's infringement. In addition, the plaintiffs were under no handicap or disability -- financial or otherwise -- which prevented them from asserting and vindicating their rights under the patent. No evidence was disclosed to justify this long delay. The court stated:

"In the case at bar, the record shows not only a long delay on the part of the plaintiff in instituting litigation on his claim of infringement, but also such a change in the condition of the defendant that it would be inequitable to allow plaintiff to enforce his claim for infringement. Not only has the defendant expended large sums of money in extension of its manufacturing facilities, but two of its most important witnesses have passed away."

See also: Potash Company of America v. International Minerals and Chemicals Corporation, 10 Cir., 213 F.2d 153 (1954).

Rome Grader and Machinery Corporation v. Adams Manufacturing Company, 7 Cir., 135 F.2d 617 (1943), was an action for the infringement of patents. The court upheld the defense of laches and dismissed the suit, stating:

"Defendant has expended great sums in reliance upon plaintiff and its predecessors in action. * * *. At the same time, it has made and marketed other graders which do not infringe and could have entered manufacture upon them if infringement had been promptly asserted and established, but the apparent acquiescence of the plaintiff and his predecessor, neither of whom was under disability or handicap, as the trial court justifiably found from the evidence, led defendants to believe that no

necessity existed to incur the expense of changing over exclusively to the production of other types. Defendant's reliance upon plaintiff's inaction was fortified by the opinion of reputable counsel that his graders did not infringe. " (Emphasis ours.)

See also: Delancy Patents Corporation v. John Mansville, 29 F. Supp. 431.

Recently General Electric v. Sciaky Brothers, Inc., supra, was affirmed by the Sixth Circuit on June 20, 1962, at 304 F.2d 724.

The court said in affirming this action:

"Where the unexplained delay exceeded the applicable period of the statute of limitations, injury to the defendant is presumed. In a patent infringement action equitable principles are applied.

"Equity will not aid those who have slept on their rights. The failure of General Electric to take action over the many years constituted laches.

* * *

* * * * *

"Whether or not General Electric was guilty of laches was a question of fact to be determined by the trial judge in the exercise of judicial discretion.

* * *. We are of the view that the findings of fact adopted by the District Court on this issue are supported by substantial evidence and are not clearly erroneous. They are binding on us. * * *.

We think his conclusions of law were correct.

"The fact that General Electric wanted licenses on Sciaky's patents and negotiated with Sciaky on a cross-licensing basis did not in our judgment excuse the long delay in enforcing its own rights. The District Court found that in so doing General Electric was engaged in a 'fishing expedition'. In any event, the negotiations between the parties ceased in 1951 and General Electric took no action until seven years later."

In Tracer Lab., Inc. v. Industrial Nucleonics Corporation,

204 F. Supp. 101 (1962), an action was brought for wrongful acquisition and use of the trade secrets. The court held the action barred by laches, stating at page 103:

"* * * As has already been pointed out, plaintiff knew of the existence of its cause of action and had available the means of discovering the additional facts needed to prove its case. It has shown no justifiable excuses for delay. On the other hand, this delay has worked a hardship on defendant. In 1950 when the alleged violation of plaintiff's rights first occurred, defendant was a small company, newly organized and starting business on a small scale, largely on borrowed capital. In the next eight years it built up its business to the point where its annual sales and its investment in plant and facilities amounted to millions of dollars. Meanwhile, it has become more difficult to obtain the evidence needed by the parties, especially as to what actually occurred in 1949 and 1950. Witnesses have forgotten facts or are not so readily available and some documentary evidence appears to have been destroyed. This action was commenced almost four years ago and despite diligent efforts of counsel, discovery has not yet been completed by either party. Plaintiff should have brought its action promptly when it knew its rights were being violated. It cannot expect relief from equity when it sleeps on its rights and permits defendant in reliance of such inactivity, greatly to expand its business and then confronts defendant with a costly and burdensome action."

A final point -- 50 U. S. C. A. , Appendix, § 9(a), specifically sets forth a procedure for releasing property mistakenly acquired by the Alien Property Custodian. The record is devoid of any explanation as to why this procedure was not promptly taken advantage of by the plaintiff; and there is, of course, no explanation of the time lapse from 1949 to 1956 when ultimately the Alien Property Custodian returned title to Faitelowitz to the plaintiff.

Under the decisions of the federal courts, it is submitted the facts in this litigation present the classic picture for application of the doctrine of laches.

K PLAINIFF HAD NO LEGAL STANDING TO MAINTAIN SUIT ON THE FAITELOWITZ PATENT AND THE FAILURE TO JOIN AN INDISPENSABLE PARTY PLAINTIFF DEPRIVED THE COURT OF JURISDICTION.

The above point was asserted as an affirmative defense and we reassert, was jurisdictional. We appreciate no finding was made on this question by the trial judge, who otherwise determined the plaintiff had no case on the merits.

The complaint alleges that plaintiff is the owner of the patents issued to "co-workers" Faitelowitz, Volpertas and Rivoche, and also that plaintiff, by virtue of successive assignments is entitled to recover for past infringements of the three patents concerned. One of the issues litigated in the trial was the question of the legal succession of the plaintiff to the rights of the patentees, in the three patents concerned.

The records in the Patent Office disclose the following with respect to the chain of title in the Faitelowitz patent:

1. May 22, 1937, Faitelowitz assigned to Bunimovitch, prior to his applying therefor, 75% of his patent, recorded in the United States Patent Office June 3, 1957 (DX 16, II-25-26).

2. The Faitelowitz patent issued May 31, 1938, to Faitelowitz, recognized the assignment of the 75% interest to Bunimovitch.

3. May 27, 1940, Faitelowitz, at that time the owner of only 25% interest, assigned a 50% interest to Volpertas and Rivoche, recorded July 8, 1940. (DX 16, II-27, 28, 29)

4. October 20, 1943, title to the patent vested in the Alien Property Custodian (DX 16, II-32).

5. April 8, 1945, Volpertas and Rivoche assigned to Farmers' Marketing and Supply Company, Ltd., recorded December 21, 1949 (DX 16, II-40).

6. May 11, 1956, the Office of Alien Property, Department of Justice, assigned to Bunimovitch an undivided 75% of the patent (DX 16, II-42).

7. May 11, 1956, a similar assignment from the Office of Alien Property, Department of Justice, assigned to Volpertas and Rivoche an undivided 25% of said patent (DX 16, II-44).

8. July 30, 1956, Bunimovitch assigned to the Farmers' Marketing and Supply Company, Ltd., title to the patent (DX 16, II-50, 51).

This Assignment does not convey nor assign the right to sue for past infringements.

9. January 15, 1958, Farmers' Marketing and Supply Company, Ltd. assigns to Templeton Patents, Limited, its title to the patent, together with rights to recover for past infringements (DX 16, II-53-55, inclusive).

As noted above, Bunimovitch, a 75% owner of the patent involved by assignment recorded August 3, 1956, transferred his interest in the patent, without transferring the right to sue for infringements between the date of issuance of the patent, May 31, 1938, and the date of transfer. It is basic that the right to sue for infringement follows the title to the patent. The plaintiff here claims a right to the patent as of the date of the alleged making of the contract in the summer of 1949, at which time Bunimovitch was one of the record owners of the patent. The Bunimovitch assignment to plaintiff was not made until the patent had expired by operation of law on May 31, 1955, and the record shows Bunimovitch was a co-owner of 75% of the patent until August 3, 1956.

In a much cited and leading decision, Crown Die & Tool Co. v. Nye Tool & Machine Works, 261 U.S. 24, 67 L. Ed. 516, the principle is laid down that infringement suits must be brought by the owner of legal title to the patent.

"Both at law and in equity, either the owner of the patent at the time of the past infringement, or the subsequent owner of the patent, who is, at the same time, the assignee of the claims for past infringement, must be a party to a suit for damages for the past infringements."

See also: Independent Wireless Telegraph Co. v. Radio Corporation of America, 269 U.S. 459, 70 L. Ed. 357.

In Switzer Brothers, Inc. v. Byrne, 6 Cir., 242 F.2d 909 (1957) it was determined that plaintiff's right to recover in a patent infringement

action would depend upon its title at the time of the inception of the action, and the failure to join several of the co-owners of the patent constituted a fatal defect.

"As the alleged assignment was ineffective to transfer the title, the Switzer brothers and their wives, who were still tenants in common of an interest in the patents, had to be joined as parties. * * *. The conceded fact that appellant had the right to conduct and control litigation with reference to the patents is immaterial since it did not own the patents. * * *."

Hurd v. Sheffield Steel Corp., 8 Cir., 181 F.2d 269 (1950)

involved a patent infringement action which was dismissed for the reason that co-owners of the patent were not joined as indispensable parties plaintiff.

"* * * It is well settled that where the patentee assigns an undivided part of the patent, action for infringement committed subsequent to the assignment must be brought in the joint name of the patentee and assignee as representing the entire interest. * * *."

"Being of the view that all the co-owners of the patent must be joined as plaintiffs in a suit for infringement, the order of the court dismissing the action is affirmed."

It is settled, therefore, that in suits arising out of patents, they must be brought in the name of the patentee, or an assignee who has the exclusive right to the patent, and the right to enforce it. A simple assignment of a patent carries with it only the right to enforce that patent subsequent to the date of the assignment, and carries with it no right to sue for past infringements. In this action, the assignment by Bunimovitch of his 75% interest transferred only his rights in the

patent from thence on, and specifically omitted the right to sue for past infringements. Bunimovitch, or his heirs, are indispensable parties to this action.

IV. CONCLUSION

For the reasons herein set forth, counsel respectfully ask this court to affirm the Final Judgment made and entered by the District Judge, dismissing the complaint, with prejudice.

Respectfully submitted,

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CERTIFICATE OF SERVICE

Counsel for appellant have been served with the foregoing Brief by delivery of ten copies to the offices of LANGROISE, CLARK & SULLIVAN, Suite 400, McCarty Building, Boise, Idaho, on the 23rd day of March, 1964.

JESS B. HAWLEY, JR.

FINDINGS OF FACT

I.

This action was filed on February 1, 1960, seeking damages against the defendant for an alleged breach of contract, or in the alternative, for the accounting of the proceeds of an unjust enrichment. The plaintiff had previously filed an action on February 24, 1959, against the defendant, Docket Number 3514, charging defendant with having infringed three United States Patents owned by the plaintiff. By stipulation of the parties the two suits were consolidated for trial before the Court for the sole purpose of determining the question of defendant's liability, if any.

II.

Plaintiff is a British corporation engaged only in patent licensing and is owned principally by Robert A. S. Templeton and his wife. The former is the Chairman of the Board and its Managing Director. The defendant is a corporation organized and existing under and by virtue of the laws of the State of Nevada and has its principal place of business in the City of Boise, State of Idaho. This Court has jurisdiction under Section 1332, Title 28, U. S. C. A.

III.

Plaintiff is the owner of three United States Patents, each involving a process for making a dehydrated potato product, reconstitutable into a mashed potato dish. The patents involved are United States Patent No. 2,119,155 issued to Arnold Faitelowitz

and Marcos Bunimovitch on May 31, 1938, which patent expired May 31 1955; United States Patent No. 2,352,670 issued to Zelmanas Volpertas on July 4, 1944, which patent expired July 4, 1961; and United States Patent No. 2,520,891 issued to Farmers' Marketing & Supply Company (on an application by Eugene Joel Rivoche) on August 29, 1950, which patent expired September 16, 1959.

IV.

These processes were first introduced to Templeton by Rivoche in Great Britain in 1939. For several years Templeton had been interested in the vegetable drying industry and had made studies in Europe to determine if a successful process for manufacturing an instant mash potato powder had been discovered. Rivoche was the first to show him an acceptable product and to disclose a feasible process for making the same. A year later Templeton obtained exclusive licenses to the processes in question in behalf of Farmers' Marketing & Supply Company, plaintiff's predecessor. During World War II an instant mash potato drying industry arose in Great Britain based upon these same or similar processes.

V.

Meanwhile, in the United States the defendant was engaged in fruitless efforts to discover or obtain a successful process to fill the needs of our government. Defendant met with no success despite the fact that it had adequate facilities, finances, and skilled men in the art. Its expert witness, Ray W. Kueneman, had been employed by

the Department of Agriculture during World War II. He had visited dehydration plants abroad to gather information for our government, and had seen and made diagrams of plant operations in Great Britain which were using processes similar to the ones in suit. After the war the defendant employed his services, but for the next five years a successful process still eluded it. Templeton visited the United States in 1945 and became acquainted with defendant's efforts. Defendant's officers professed an interest in plaintiff's processes; however, at this time plaintiff had not perfected its rights thereto in this country.

VI.

Templeton returned to the United States in 1949 after having acquired to his satisfaction the exclusive rights to the Volpertas and the Rivoche processes wherever patented, and at that time made another trip to the State of Idaho in March, 1949, to confer with officials of the defendant company. Templeton wanted the defendant to take a license under the aforesaid patents, and in furtherance of this desire and because of the defendant's interest in the matter, Templeton, on March 4, 1949, conducted a laboratory demonstration at the defendant's plant in Caldwell, Idaho, during which he disclosed what he considered to be the basic teachings of the three patents involved. The record discloses that defendant was highly impressed by, and interested in, the processes. On March 8, 1949, Templeton submitted a written summary of what he considered to be the teachings

of the patents and a written recommendation to defendant based on the Faitelowitz process. The parties in March of 1949 orally arrived at a tentative and informal understanding in regard to developing a commercial process (and the industry) in the United States, which understanding was to be subsequently formalized. The broad and general understanding was expressly subject to and conditioned upon, the advice and approval of their respective legal counsel. The terms of the agreement were left to future negotiations, which, as events transpired, were very extended, with the parties ultimately failing to reach any agreement or meeting of minds. Before the parties reached any agreement the Korean War commenced and the defendant went into production to help fill the military requirements of the United States Government, and used some of the teachings of said patents in its own operations.

VII.

The testimony of the parties being in substantial conflict, and of necessity somewhat vague because of the lapse of time since the initial negotiations in 1949, the Court finds the most credible evidence concerning the dealings and negotiations between the parties looking to some contractual agreement is found in chronological order in the correspondence between them, Plaintiff's Exhibit No. 8. The Court finds from the evidence that the plaintiff has filed to sustain the burden of proof incumbent upon it to establish a contract existed between the parties.

VIII.

No express contract, either oral or in writing, was ever entered

into between the parties. The record shows only an indefinite and general understanding as to what their arrangements should be for the development and production of an instant mashed potato product for sale in the United States. Under the broad outline, plaintiff would grant defendant an exclusive license for the use of the Faitelowitz, Volpertas and Rivoche processes and would assist defendant in establishing its operation in exchange for a royalty based on production. Any agreement, however, was at all times subject to the approval of defendant's legal counsel, which, as events transpired, was never received, and thus prevented the parties from reaching a meeting of minds on the terms of an agreement.

Two main areas of conflict developed between the parties in their unsuccessful attempts to reach an agreement. The first involved the plaintiff's alleged ownership of the patents in question. The record shows that in April, 1949, plaintiff's predecessor acquired the Volpertas patent, and the Rivoche application owned by the plaintiff's predecessor was still pending. The Faitelowitz patent was and had been since 1943 the property of the Alien Property Custodian, and 75% of it had been assigned by Faitelowitz to one Marcos Bunimovitch in 1938. Plaintiff did not cure these defects in its title to the Faitelowitz patent until long after negotiations between the parties had terminated. Secondly, the defendant's patent counsel emphatically objected to the validity of the patents and though importuned by Templeton and his patent counsel to take a position otherwise, defendant's counsel remained adamant in his legal

position.

The first of the proposed formal agreements, in writing, was prepared by plaintiff's counsel and forwarded to the defendant on March 28, 1949. Defendant's counsel immediately raised the validity of the patents and the agreement was not signed. The parties, however, continued to negotiate on the assumption that the legal problems might be resolved, and Templeton encouraged the defendant to continue with its experiments. By October 12, 1949, the parties had reached no agreement, and at that time Templeton by letter advised the defendant that he would terminate negotiations unless the parties came to terms and at that time requested reimbursement of half of the traveling expenses and attorney's fees incurred. Defendant denied any obligation in connection with this reimbursement but did, however, forward on December 16, 1949, a proposed written agreement from its counsel substantially differing from the initial proposal of the plaintiff. This agreement went unsigned on advice of plaintiff's counsel. Thereafter, plaintiff sought to license other producers in the United States and appointed an agent in this country to negotiate with defendant and others in this respect.

Defendant went into full production in 1951, without there being at that time any agreement between the parties. Plaintiff had full knowledge of this, but took no action to prevent defendant's use of the process in question nor to recover any compensation for technical information which it had furnished to the defendant. Plaintiff, instead, concentrated

on attempting to still obtain some form of a contract between the parties, and on August 18, 1951, proposed an agreement based solely on the Volpertas and Rivoche patents. Defendant would come to no terms on this. The last serious effort between the parties to negotiate some form of agreement occurred in June of 1952 at a conference between representatives of the parties, but likewise nothing came of this. Defendant continued to produce the instant mash potato powder and by 1954 had united with other producers in a joint defense against any legal action which might be taken against them. (Letter of May 4, 1954.) The plaintiff threatened such action, but none was forthcoming until in 1959 when its patent infringement action against the defendant was filed and this action was instituted a year later.

IX.

At no time did plaintiff make any demands on the defendant for the value of the technical services rendered by the plaintiff voluntarily, until this action was filed February 1, 1960. The Court believes that the plaintiff did supply the defendant with technical information of some benefit.

X.

The plaintiff, with full knowledge of the activities of the defendant, permitted the defendant to produce a dehydrated potato powder, using in part the principles of the patents involved, for a period of nine years before it instituted suit.

XI.

The Court finding that no express oral contract resulted from the negotiations of the parties, the cause of action for breach of contract accrued at the latest when the defendant went into production in 1951, and not as the plaintiff contends in 1956 when it received back from the Alien Property Custodian the Faitelowitz patent. The record further shows, without question, that by the year 1954 the defendant was openly and publicly critical of plaintiff's attempts to license other producers under the three patents involved and that such attitude was within the full knowledge of the plaintiff, the only conclusion to be reached being that defendant had no intention of reaching any agreement under which it would pay royalties to the plaintiff. Thus, if plaintiff was lulled into a sense of security as plaintiff contends, because of defendant's willingness to negotiate, which the Court does not find to be the fact, plaintiff's cause of action on any basis as set forth in its complaint would have accrued by 1954 at the very latest. The negotiations between the parties though extended over a long period of time, never assumed the status of a contract and not only did there exist no meeting of the minds, but the record in fact discloses the parties in complete discord on the very essence of any agreement, since the defendant at all times questioned the validity of the patents and the plaintiff's ownership thereof and the plaintiff at all times would under no conditions agree to the minimum royalty which defendant agreed it reluctantly would pay under all of the circumstances. That the negotiations continued for such an extended

period can be credited only to Templeton's perserverance and unwillingness to pursue any other remedies.

XII.

An action on an oral contract must be instituted within four years after the cause of action accrues. Section 5-217, Idaho Code. Plaintiff's action alleging an oral agreement between the parties therefore is barred under the Statute of Limitations. An agreement implied in law where benefits are conferred by one to another under circumstances which in equity and good conscience should not be retained without payment therefor likewise must be instituted within four years after such action accrues. Section 5-217, Idaho Code. Any action on the basis of an implied or quasi agreement between the parties having accrued in no event not later than the year 1954, such action likewise is barred by the Statute of Limitations above cited.

